

**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

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July 19, 2012

**TO:** Budget and Finance Sub-Committee  
**FROM:** Budget and Legislative Analyst  
**SUBJECT:** July 25, 2012 Budget and Finance Sub-Committee Meeting

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**Item 1**  
**File 12-0452**

**Department:**  
Airport

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed resolution would retroactively approve a new nine-year International Terminal Equipment Maintenance and Operating Agreement between the City, acting by and through the Airport, and the San Francisco SFOTEC Company, LLC (SFOTEC) from July 1, 2012 through June 30, 2021, with one option to extend the agreement by one additional year. Under the proposed agreement, SFOTEC would maintain and operate, on behalf of airlines located in the Airport's International Terminal the Airport-owned equipment and operating systems used for the handling of flights and passengers in the Airport's International Terminal. SFOTEC would reimburse the Airport for the Airport's actual costs associated with the maintenance and operations of this equipment, including utilities, custodial services, and internet infrastructure and charges.
- The proposed resolution would also provide for SFOTEC, on an as-needed basis, to (a) provide maintenance services for the Airport's Integrated Electronic Systems, which are the computer systems shared by the Airport and the airlines; (b) support the Airport's Network Operating Center in monitoring the Airport's information technology networks and providing Help Desk services; (c) provide Patron Assistance services; and (e) provide Document Verification services. The Airport would pay SFOTEC for these services in an amount not-to-exceed \$18,000,000 over the nine-year term of the agreement.

### Key Points

- The scope of all of the work, schedules, deliverables, and compensation structure for the maintenance services to be performed by SFOTEC and paid by the Airport must be approved by the Airport.
- Although the proposed Agreement is effective as of July 1, 2012, the proposed resolution does not provide for retroactive approval. Therefore, the proposed resolution should be amended to provide for retroactive approval of the subject Agreement as of July 1, 2012.

### Fiscal Analysis

- Based on reimbursements paid by SFOTEC to the Airport in FY 2011-12 for the Airport's costs associated with the maintenance and operation of the Airport-owned equipment in the International Terminal, the SFOTEC would reimburse the Airport an estimated \$18,258,680 over the ten-year term (nine years with one option to extend) of the proposed agreement.
- Based on payments made by the Airport to SFOTEC in FY 2011-12 for SFOTEC to provide maintenance services of operating systems and related services, the Airport would pay SFOTEC an estimated \$16,684,140 over the ten-year term (nine years with one option to extend) of the proposed agreement.
- The estimated net payment to the Airport by SFOTEC under the proposed agreement is \$1,574,540 (\$18,258,680 less \$16,684,140).

### Policy Consideration

- The proposed resolution does not specify the not-to-exceed amount of \$18,000,000 to be paid by the Airport to SFOTEC. The not-to-exceed amount should be included in the proposed resolution.

### Recommendations

- Amend the proposed resolution to provide for retroactive approval of the subject Agreement to July 1, 2012.
- Amend the proposed resolution to reflect the not-to-exceed amount of \$18,000,000 to be paid by the Airport to SFOTEC.
- Approve the proposed resolution as amended.

## MANDATE STATEMENT/ BACKGROUND

### Mandate Statement

In accordance with Charter Section 9.118(a), City agreements, or amendments to such agreements, with anticipated revenue of \$1,000,000 or more are subject to approval of the Board of Supervisors. In accordance with Charter Section 9.118(b), City agreements with anticipated expenditures of \$10,000,000 or more, or amendments to such agreements with anticipated expenditures of more than \$500,000 are subject to approval by the Board of Supervisors.

### Background

On October 16, 2000, the Board of Supervisors retroactively approved an initial Equipment Maintenance and Operating Agreement between the Airport and San Francisco Terminal Equipment Company, LLC (SFOTEC), for a term from September 19, 2000 through September 30, 2005 (Resolution No. 907-00). Under the 2000 agreement, the Airport licensed the right to SFOTEC<sup>1</sup> to maintain, operate, and use Airport-owned equipment and operating systems, including aircraft docking/guidance systems, baggage carousels, and a portion of the Integrated Electronic Systems' hardware and software at the International Terminal of the Airport. Under the license, SFOTEC fully reimbursed the Airport for the Airport's actual costs related to the Airport-owned equipment, including custodial services, utilities, and internet infrastructure and charges.

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<sup>1</sup> SFOTEC is a consortium of airlines, and was created to (a) maintain, repair, operate and schedule the use of the Airport-owned equipment and operating systems at the International Terminal; (b) maintain, operate, and schedule the use of joint use ticket counters and gates; and (c) allocate the associated costs related to the Airport-owned equipment and operating systems among members and non-member users. SFOTEC members are airlines operating in the International Terminal who have signed a Member Agreement with SFOTEC and include the airlines (a) AeroMexico, (b) Air China, (c) Air France, (d) Air New Zealand, (e) Alaska, (e) All Nippon Airways, (g) Asiana Airlines, (8) British Airways, (9) Cathay Pacific, (10) Delta, (11) Emirates, (12) EVA Airways, (13) Japan Airlines, (h) KLM, (i) Korean Airlines, (j) LAN, (k) Lufthansa, (l) Mexicana, (m) Philippine Airlines, (n) Singapore, (o) Swiss International, (p) TACA, (q) United Airlines, (r) Virgin America, and (s) Virgin Atlantic. A non-member user is defined as an airline who is not a member of SFOTEC but wishes to utilize the equipment maintenance and operation services provided under the existing and proposed agreements. Non-member airlines include (a) Air Berlin, (b) Air Canada, (c) Hawaiian Airlines, (d) JetBlue, (e) Sun Country, (f) WestJet, and (g) XL Airways. Non-member airlines must sign a Non-Member User Agreement, defined as the agreement between SFOTEC and any airlines other than a member desirous of using the equipment under the existing and proposed agreements. Non-member users who wish to utilize the services provided under the existing and proposed agreements are subject to higher fees than member users.

On October 11, 2005, the Board of Supervisors retroactively approved a second Equipment Maintenance and Operating Agreement between the Airport and SFOTEC, with a term from October 1, 2005 through June 20, 2011 with one option to extend the agreement by one additional year through June 30, 2012. (Resolution No. 11-0096).

Additionally, under the existing agreement, subject to approval by the Airport, SFOTEC provides maintenance services for the Airport's Integrated Electronic Systems, which are electronic and computer systems shared by the Airport and the Airport tenants. These systems include flight information, passenger processing, and self-service kiosks. The Airport pays SFOTEC an amount not to exceed \$8,500,000 for the period from October 1, 2005 through June 30, 2012.

On January 29, 2007, the Airport added a Letter of Agreement to the existing agreement with SFOTEC for SFOTEC to provide monitoring of the Airport's Wide Area Network (WAN) and Local Area Network (LAN), and Help Desk services after business hours. The Airport's Network Operating Center is responsible for monitoring and maintaining the Airport's WAN and LAN systems and providing Help Desk support. Under the Letter of Agreement, SFOTEC supports the Airport's Network Operating Center in these functions.

As shown in Table 1 below, the Airport paid SFOTEC \$1,668,414 in FY 2011-12 for maintenance services of the Integrated Electronic Systems and Help Desk support, and SFOTEC paid the Airport \$1,825,868 to reimburse the Airport for the Airport's actual costs for the maintenance and operation of the Airport-owned equipment in the International Terminal for (a) custodial fees, (b) electricity charges, (c) water and sewer charges, and (d) ITT Telecom charges for internet infrastructure and subscription access. Net payment to the Airport by SFOTEC in FY 2011-12 was \$157,454 (\$1,825,868 less \$1,668,414).

**Table 1: Summary of SFOTEC Payments to the Airport and Airport Payments to SFOTEC under the Existing Agreement, FY 2011-12**

Expense	SFOTEC Reimbursements to the Airport	Airport Payment to SFOTEC	Net Payments by SFOTEC to the Airport
Custodial Fees	\$71,000	n/a	\$71,000
Electricity Charges	1,660,000	n/a	1,660,000
Water and Sewer Charges	74,000	n/a	74,000
ITT Telecom Charges for Internet Infrastructure and Subscription Access	20,868	n/a	20,868
Maintenance of the Integrated Electronic Systems, Network Monitoring and Help Desk Support,	n/a	1,668,414	(1,668,414)
<b>Total</b>	<b>\$1,825,868</b>	<b>\$1,668,414</b>	<b>\$157,454</b>

Source: Airport

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new nine-year International Terminal Equipment Maintenance and Operating Agreement between the City, acting by and through the

Airport, and the San Francisco SFOTEC Company, LLC (SFOTEC) from July 1, 2012 through June 30, 2021 with one option to extend the agreement by an additional year. Under the proposed agreement,

- SFOTEC would maintain, and operate Airport-owned equipment for use by the airlines, including aircraft docking/guidance systems, and baggage carousels in the International Terminal of the Airport. SFOTEC would reimburse the Airport for the Airport's actual costs incurred for the operation, use, and maintenance of the Airport-owned equipment in the International Terminal, including (a) custodial fees, (b) electricity charges, (c) water and sewer charges, and (d) ITT Telecom charges for internet infrastructure and subscription access. (See Attachment for list of the Airport-owned equipment and systems).
- SFOTEC would also provide maintenance services for the Airport's Integrated Electronic Systems, used by the Airport and the airlines, at the Airport's request. The Airport would pay SFOTEC for the Airport's share of actual costs incurred by SFOTEC for such services. SFOTEC would also provide network monitoring for the LAN and WAN systems and Help Desk support after business hours, at the request of the Airport's Network Operating Center. All such services to be provided by SFOTEC to the Airport must be approved in advance by the Airport.
- Additionally, the Airport would pay SFOTEC for providing new services that include (a) Patron Assistance<sup>2</sup> services and (b) Document Verification<sup>3</sup> services on an as-needed basis. The Airport would reimburse SFOTEC for the costs of these services.

The Airport's payments to SFOTEC for maintenance of the Integrated Electronic Systems, network monitoring and Help Desk support, Patron Assistance services, and Document Verification services are not-to-exceed \$18,000,000, over the nine-year term of the agreement. The scope of work, schedules, deliverables, and compensation structure of these services performed by SFOTEC and reimbursed by the Airport must be approved by the Director of the Airport.

According to Ms. Teresa Rivor, Senior Property Manager for the Aviation Management Division of the Airport, the proposed agreement with SFOTEC was awarded in accordance with the Lease and Use Agreements between the Airport and airlines operating at the Airport. Under the terms of the Lease and Use Agreements, airlines are required to pay for equipment maintenance of Airport-owned equipment and operating systems. Airlines can choose to perform such maintenance and operating work individually with their own employees or can select another company to do such work. The airlines located in the International Terminal, which consists predominantly of international airlines operating only one to two daily flights, selected SFOTEC as the company responsible for the maintenance and operations of the Airport-owned equipment and systems which these airlines share in the International Terminal.

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<sup>2</sup> Patron Assistance is comprised of providing assistance to Airport patrons with special needs requiring mobility or other types of assistance between the International Terminal and other Airport locations, such as the Rental Car Center or remote parking facilities as well as providing patron direction and performing line management as directed by Airport staff.

<sup>3</sup> Document Verification services are the verification and validation of documents, such as boarding passes, at security checkpoints.

Ms. Rivor advises that the maintenance on the Integrated Electronic Systems provided by SFOTEC for the Airport and paid by the Airport to SFOTEC involves proprietary software which SFOTEC has been responsible for maintaining since 2001 when ARINC, the company who developed the software for the Airport, originally contracted with them to do so and therefore was approved by the Human Rights Commission as a sole source procurement. In addition, according to Ms. Rivor, the Patron Assistance provided by SFOTEC under the proposed agreement is limited in nature and requires staff providing the services to respond with very short notice. SFOTEC was selected to provide Patron Assistance services because SFOTEC staff are present daily in the Airport. Finally, the Airport anticipates that the Network Monitoring and HelpDesk services provided after business hours in the future will be conducted by the Airport's Network Operating Center in-house staff in FY 2013-14, once sufficient Airport staff has been hired.

The Budget and Legislative Analyst notes that although the proposed Agreement is effective as of July 1, 2012, the proposed resolution does not provide for such retroactive approval. Therefore, the proposed resolution should be amended to provide for retroactive approval of the subject Agreement as of July 1, 2012.

## FISCAL ANALYSIS

### **Fees Paid by SFOTEC to the Airport**

Under the proposed agreement, all reimbursements made by SFOTEC to the Airport are required to fully reimburse the Airport for the Airport's actual costs related to the maintenance and operations of the Airport-owned equipment in the International Terminal provided by SFOTEC for (a) custodial services, (b) electricity charges, (c) water and sewer charges, and (d) ITT Telecom internet infrastructure charges. If the reimbursements paid by SFOTEC to the Airport each year under the proposed agreement are the same as the reimbursements previously paid by SFOTEC to the Airport in FY 2011-12 under the existing agreement, including the one-year option to extend the proposed agreement, then the total estimated amount to be reimbursed by SFOTEC to the Airport over the ten year term would be \$18,258,680 ( $\$1,825,868^4 \times 10$  years).

### **Fees Paid by the Airport to SFOTEC**

Under the proposed agreement, the Airport would reimburse SFOTEC to provide maintenance services, detailed in Table 2 below, not to exceed \$18,000,000. As noted above, all maintenance services to be provided by SFOTEC must be approved by the Director of the Airport.

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<sup>4</sup> See Background section above

**Table 2: Breakdown of Not-to-Exceed Amount of \$18,000,000 the Airport Would Pay SFOTEC Under the Proposed Agreement**

<b>Maintenance Services</b>	<b>Portion of Not-to-Exceed Amount</b>
Integrated Electronic Systems Services	\$16,650,000
Network Monitoring, Fault Resolution, and Help Desk Support	1,000,000
Patron Assistance and Document Verification Services	350,000
<b>Total Not-to-Exceed Amount</b>	<b>\$18,000,000</b>

If the reimbursements paid to SFOTEC by the Airport each year under the proposed agreement are the same as the reimbursements paid by the Airport in FY 2011-12 under the existing agreement, including the one-year option to extend the proposed agreement, then the total estimated amount to be reimbursed by the Airport to SFOTEC under the proposed agreement would be \$16,684,140 ( $\$1,668,414^5 \times 10$  years), or \$1,315,860 less than the not-to-exceed amount of \$18,000,000.

The estimated net payment to the Airport by SFOTEC under the proposed agreement is \$1,574,540 (\$18,258,680 less \$16,684,140).

## **POLICY CONSIDERATION**

The proposed resolution does not specify the not-to-exceed amount of \$18,000,000 to be paid by the Airport to SFOTEC. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be amended to reflect the not-to-exceed amount of \$18,000,000 to be paid by the Airport to SFOTEC.

## **RECOMMENDATIONS**

1. Amend the proposed resolution to provide for retroactive approval of the subject Agreement to July 1, 2012.
2. Amend the proposed resolution to reflect the not-to-exceed amount of \$18,000,000 to be paid by the Airport to SFOTEC.
3. Approve the proposed resolution as amended.

<sup>5</sup> See Background section above.

**EXHIBIT A**  
**EQUIPMENT**

**1) AIRCRAFT AND AIRLINE SUPPORT SYSTEMS**

- a) **Aircraft Guidance / Docking Systems.** Twenty-three (23) units; with the exception of Gate A10 which does not have a unit, each gate has one (1) unit.
- b) **Baggage Handling System** (excluding federally-owned security screening equipment), as more fully described in Exhibit C.
- c) **Baggage Claim Carousels.** Twelve (12) devices, as more fully described in Exhibit C.
- d) **Baggage Makeup Carousels.** Seventeen (17) devices, as more fully described in Exhibit C.
- e) **Baggage Handling Area Lighting**, including, but not limited to, overhead lighting and lighting under baggage handling systems to illuminate walkways and work areas in the baggage handling areas and the baggage makeup areas and overhead lighting above baggage conveyor belts located behind ticket counters, but excluding the Checked Baggage Resolution Area (CBRA) and public baggage claim areas. General leasehold lighting is covered and further described by the terms of the relevant Air Carrier's Lease.
- f) **Passenger Boarding Bridges.** Forty-eight (48) passenger boarding bridges (twenty-three (23) on Boarding Area A and twenty-five (25) on Boarding Area G), as more fully described in Attachment 1 to Exhibit D.
- g) **Preconditioned Air Hoses, Reels and Carts.** Fifty-three (53) hoses with aircraft connectors, thirty (30) carts and fifty-three (53) reels, located at twenty-four (24) gates.
- h) **400 Hz GROUND POWER AIRCRAFT CABLES And Hoist Assemblies.** Fifty-three (53) cables connected to thirty (30) 400 Hz GPU units (fourteen (14) 140 KVA; nine (9) 180 KVA; seven (7) 90 KVA) located at the gates.
- i) **Potable Water Systems.** Twenty-seven (27) stainless steel cabinets, each containing one hose, one reel, lighting, plumbing and a water filter.

**2) FURNISHINGS AND FIXTURES**

- a) **Counters for Airline Use.**
  - i) One Hundred Sixty-Eight (168) ticket counters with scales, in the International Terminal, Level 3.
  - ii) Twenty-Seven (27) recheck counters with scales, in the International Terminal, Level 2.



- iii) Twelve (12) four check counters with scales, in International Terminal, Level 1, six (6) on the North (G) and six (6) on the South (A) side of the building. Twenty-four (24) gate podiums (one (1) per gate) with four (4) service positions each and forty-eight (48) gate doorway podiums (two (2) per gate) with single service positions.
  - iv) One (1) Airline Customer Service Counter with two (2) service positions on Boarding Area A, Level 3, at Gate A3.
  - v) Two (2) airline information counters in Federal Inspection (FIS) area, one (1) with four (4) service positions on the Boarding Area G side, and one (1) with five (5) service positions on the Boarding Area G side.
  - vi) Three (3) airline service podiums in the baggage claim areas, one (1) single position podium near Baggage Claim 12, one (1) single position podium near Baggage Claim 3, and a four (4) position podium near Baggage Claim 9.
- b) **Ticket Counter Scales.** Two Hundred Seven (207) scales, one (1) at each ticket counter, recheck counter, and tour check counter.

**3) PNEUMATIC TUBE SYSTEM**

<b>Swisslog Pneumatic Tube Systems</b>	<b>Cash Terminals</b>	<b>Four Position Transfer Units</b>	<b>Six Position Transfer Units</b>	<b>Cashier Stations</b>	<b>Blower Units</b>	<b>Status</b>
Island #1	12	3	3	4	3 in common with #2	Inactive
Island #2	12	3	Shared with Island #1	1	3 in common with #1	Inactive
Island #3	12	0	4	0	2	Inactive
Island #4	12	0	4	1	2	Inactive
Island #5	12	0	4	0	2	Inactive
Island #6	12	0	4	2	2	Inactive
<b>Totals</b>	<b>72</b>	<b>6</b>	<b>19</b>	<b>8</b>	<b>11</b>	

**4) INTEGRATED ELECTRONIC SYSTEMS**

- a) Integrated Electronic Systems hardware and software, as described in Exhibit K.
  - i) Information Display System (IDS)
  - ii) Airport Operations Data Base (AODB).
  - iii) Resource Management System (RMS) including baggage system, gate, and ticket counter management modules.

- iv) Agent-facing Passenger Processing System (PPS) including peripheral devices.
- v) Common Use Self Service (CUSS) platform.
- b) Integrated Electronic Systems support as described in Exhibit K.

<b>Item 6</b> <b>File 12-0758</b>	<b>Department(s):</b> Human Services Agency - HSA
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**EXECUTIVE SUMMARY**

**Legislative Objective**

- The proposed resolution would retroactively approve the First and Second Amendments to the master lease between the Human Services Agency (HSA) the Tenderloin Housing Clinic (THC) to provide housing to formerly homeless single adults and families in 16 hotels.

**Key Points**

- In February 2010, the Board of Supervisors approved the master lease between HSA and THC for 15 hotels to provide housing and services to formerly homeless single adults (File 09-1287) from January 1, 2010 through June 30, 2015, and in an amount not-to-exceed \$82,286,121. HSA has subsequently entered into two master lease amendments with THC that were not submitted to the Board of Supervisors for approval.
- In March 2010, HSA entered into the First Amendment to the master lease with THC, which included (1) a six month extension of the master lease term, changing the start date retroactively from January 1, 2010 to July 1, 2009; and (2) an increase in the master lease amount of \$6,893,471 or 8.4%, from a not-to-exceed \$82,286,121 to a not-to-exceed \$89,179,592.
- In July 2010, HSA entered into a Second Amendment to the master lease with THC to add the Mayfair Hotel to the master lease and to include formerly homeless families. The Second Amendment increased the master lease amount by \$3,755,566 or 4.2%, from a not-to-exceed of \$89,179,592 to a not-to-exceed of \$92,935,158.

**Fiscal Impact**

- The master lease budget includes an annual 3% cost of living adjustment (COLA) for each of the 16 residential hotels. However, the Board of Supervisors did not appropriate the 3% COLA in FY 2009-10, through FY 2011-12. As a result, the actual FY 2009-10 through FY 2011-12 master lease expenditures are approximately \$2,000,000 less than the budget. The proposed resolution provides a not-to-exceed amount of \$93,070,856, rather than the correct not-to-exceed amount of \$92,935,158 in the Second Amendment. Therefore, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the not-to-exceed amount by \$2,000,000, from \$93,070,856 as stated in the resolution to a revised \$91,070,856.

**Recommendations**

- Amend the proposed resolution to retroactively approve the First and Second Amendments including: (a) the revised start date of July 1, 2009, in accordance with the First Amendment; (b) the inclusion of the Mayfair Hotel in the master lease as of July 1, 2010 in accordance with the Second Amendment; and (c) language clarifying that the master lease provides housing for formerly homeless families, in accordance with the Second Amendment.
- Amend the proposed resolution to reduce the not-to-exceed amount by \$2,000,000, from \$93,070,856 to \$91,070,856.
- Approve the proposed resolution as amended.

## MANDATE STATEMENT/ BACKGROUND

### Mandate Statement

Charter Section 9.118(c) requires that City contracts of \$10 million or more, or with a term of more than ten years be subject to Board of Supervisors approval.

### Background

The Human Services Agency's (HSA) "Housing First Program" provides master-leased affordable housing. Since 1999, the Tenderloin Housing Clinic (THC), a non-profit organization, has been under contract with the HSA to provide master-leased housing for formerly homeless single adults and families. THC is currently the City's largest master-leased contractor, managing 16 hotels.

On February 23, 2010, the Board of Supervisors retroactively approved a master lease (File 09-1287) between HSA and the THC to provide master-leased housing for formerly homeless single adults in San Francisco in 15 hotels operated by THC from January 1, 2010 through June 30, 2015. The master lease amount was not-to-exceed \$82,286,121.

In March 2010, HSA entered into the First Amendment to the master lease with THC, which included (1) a six month extension of the master lease term, retroactively changing the start date from January 1, 2010 to July 1, 2009; and (2) increasing the master lease amount by \$6,893,471 or 8.4%, from a not-to-exceed amount of \$82,286,121 to a not-to-exceed amount of \$89,179,592.

In July 2010, HSA entered into the Second Amendment to the master lease with THC to add the Mayfair Hotel to the master lease, which expanded THC's client base for this contract to include serving formerly homeless families as well as formerly homeless single adults. The Second Amendment increased the master lease amount by \$3,755,566 or 4.2%, from not-to-exceed \$89,179,592 to not-to-exceed \$92,935,158.

## DETAILS OF PROPOSED LEGISLATION

HSA is now seeking retroactive approval for the First and Second Amendments to the master lease between HSA and THC, as described above. The proposed resolution would retroactively approve:

- The revised start date of the master lease, which was changed retroactively under the First Amendment from January 1, 2010, as previously approved by the Board of Supervisors, to July 1, 2009. Therefore, the master lease term is July 1, 2009 through June 30, 2015, a term of six years.
- The inclusion of the Mayfair Hotel as of July 1, 2010 in the master lease in accordance with the Second Amendment, and to provide master-leased housing for formerly homeless families. Under the original master lease, master-lease housing was only provided to formerly homeless single adults.
- The increase in the master lease amount provided under the First and Second Amendments. As noted above, the First Amendment increased the not-to-exceed amount by \$6,893,471 or 8.4%, from \$82,286,121 to \$89,179,592. The Second Amendment increased the not-to-exceed amount by \$3,755,566 or 4.2%, from \$89,179,592 to \$92,935,158.

**FISCAL ANALYSIS**

The Table below shows the revised total not-to-exceed amount under the proposed resolution of \$92,935,158 from July 1, 2009 through June 30, 2015.

**Table  
Master Lease Not-to-Exceed Amount  
FY 2009-10 to FY 2014-15**

<b>Hotel Sites</b>	<b>Units</b>	<b>Total</b>
All-Star Hotel	86	\$4,529,776
Boyd Hotel	82	5,280,791
Cal Drake Hotel	51	1,369,407
Elk Hotel	88	4,931,891
Graystone Hotel	74	3,850,275
Pierre Hotel	87	4,966,548
Royan Hotel	69	4,503,016
Union Hotel	60	4,362,806
Hartland Hotel	137	6,621,277
Jefferson Hotel	111	5,080,632
Looper Hotel	43	1,824,312
Mission Hotel	248	7,644,974
Raman Hotel	85	5,355,669
Seneca Hotel	204	8,016,431
Vincent Hotel	103	5,488,880
Mayfair Hotel	78	3,755,565
Property Management <sup>1</sup>		10,620,898
Modified Payment Program <sup>2</sup>		4,732,010
<b>Master Lease Totals</b>	<b>1,606</b>	<b>\$92,935,158</b>

The Attachment contains the budget for each hotel by fiscal year.

The master lease between HSA and THC is funded by General Fund monies, subject to the annual appropriation approval of the Board of Supervisors.

The master lease budget includes an annual 3% cost of living adjustment (COLA) for each of the 16 residential hotels. However, the Board of Supervisors did not appropriate the 3% COLA in FY 2009-

<sup>1</sup> Property management includes operation of the hotel, including desk clerks, janitorial maintenance, and some rent collection, etc.

<sup>2</sup> The Modified Payment Program allocation covers a two-party check system that ensures the rent is paid by allocating aid payments directly to THC, and THC, in turn, pays the rent with the balance of the aid payment going to the client each month.

10, FY 2010-11, and FY 2011-12. As a result, the actual FY 2009-10 through FY 2011-12 master lease expenditures are approximately \$2,000,000 less than the budget.

The proposed resolution provides a not-to-exceed amount of \$93,070,856, rather than the correct not-to-exceed amount of \$92,935,158 in the Second Amendment. Therefore, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the not-to-exceed amount by \$2,000,000, from \$93,070,856 as stated in the resolution to a revised \$91,070,856.

## RECOMMENDATIONS

1. Amend the proposed resolution to retroactively approve the First and Second Amendments including: (a) the revised start date of July 1, 2009, in accordance with the First Amendment; (b) the inclusion of the Mayfair Hotel in the master lease as of July 1, 2010 in accordance with the Second Amendment; and (c) language clarifying that the master lease provides housing for formerly homeless families, in accordance with the Second Amendment.
2. Amend the proposed resolution to reduce the not-to-exceed amount by \$2,000,000, from \$93,070,856 to \$91,070,856.
3. Approve the proposed resolution as amended.

**Master Lease Not-to-Exceed Amount of \$93,070,856  
FY 2009-10 to FY 2014-15**

Hotel Sites	Units	FY09/10	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15	Total
All-Star Hotel	86	\$700,292	\$721,301	\$742,940	\$765,228	\$788,185	\$811,830	\$4,529,776
Boyd Hotel	82	816,397	840,889	866,116	892,099	918,862	946,428	5,280,791
Cal Drake Hotel	51	211,707	218,058	224,600	231,338	238,278	245,426	1,369,407
Elk Hotel	88	762,458	785,332	808,892	833,158	858,153	883,898	4,931,891
Graystone Hotel	74	595,243	613,100	631,493	650,438	669,951	690,050	3,850,275
Pierre Hotel	87	767,816	790,850	814,576	839,013	864,184	890,109	4,966,548
Royan Hotel	69	696,155	717,040	738,551	760,707	783,529	807,034	4,503,016
Union Hotel	60	674,479	694,713	715,555	737,021	759,132	781,906	4,362,806
Hartland Hotel	137	1,023,633	1,054,342	1,085,972	1,118,551	1,152,108	1,186,671	6,621,277
Jefferson Hotel	111	785,453	809,017	833,287	858,286	884,034	910,555	5,080,632
Looper Hotel	43	282,034	290,495	299,210	308,186	317,432	326,955	1,824,312
Mission Hotel	248	1,181,894	1,217,351	1,253,871	1,291,487	1,330,232	1,370,139	7,644,974
Raman Hotel	85	827,973	852,812	878,397	904,748	931,891	959,848	5,355,669
Seneca Hotel	204	1,239,320	1,276,500	1,314,795	1,354,238	1,394,866	1,436,712	8,016,431
Vincent Hotel	103	848,567	874,024	900,245	927,252	955,070	983,722	5,488,880
Mayfair Hotel	78	0	799,609	738,989	738,989	738,989	738,989	3,755,565
Property Management		1,641,964	1,691,223	1,741,960	1,794,219	1,848,045	1,903,487	10,620,898
Modified Payment Program		731,557	753,504	776,109	799,392	823,373	848,075	4,732,010
<b>Master Lease Totals</b>	<b>1,606</b>	<b>\$13,786,942</b>	<b>\$15,000,160</b>	<b>\$15,365,558</b>	<b>\$15,804,350</b>	<b>\$16,256,314</b>	<b>\$16,721,834</b>	<b>\$92,935,158</b>

**Item 9**  
**File 12-0687**

**Department:**  
**Treasure Island Development Authority (TIDA)**

## **EXECUTIVE SUMMARY**

### **Legislative Objective**

The proposed resolution would retroactively approve the Tenth Amendment to the existing contract between Treasure Island Development Authority (TIDA) and AMEC Geomatrix, Inc. (Geomatrix), to retroactively extend the term by one year from July 1, 2012 through June 30, 2013, and to increase the not-to-exceed amount by \$238,400 from \$1,799,000 to \$2,037,400.

### **Key Points**

- TIDA originally selected Geomatrix in 1998 to provide environmental engineering consulting services from the Department of Public Works' as-needed list, developed through a competitive Request for Proposal (RFP) process. In 2001, TIDA began directly contracting with Geomatrix to provide environmental engineering services.
- In 2003, TIDA requested that the Navy begin negotiating an early transfer of the former Treasure Island Naval Station, which includes Treasure Island and Yerba Buena Island, to TIDA. Because of Geomatrix's knowledge of the Navy's environmental remediation program at the former naval base, TIDA entered into a sole source contract with Geomatrix from April 1, 2003 to June 30, 2004, for a not-to-exceed amount of \$541,000 to provide technical services related to monitoring the Navy's environmental remediation activities in preparation for the transfer of the former Navy base to TIDA.
- Between June 2004 and June 2011, TIDA approved nine contract amendments, on a sole source basis, extending the term from July 1, 2004 through June 30, 2012 because TIDA required continuity in the program to oversee the Navy's environmental remediation of the former naval base prior as part of the transfer of the naval base to the TIDA.
- The total contract term from April 1, 2003 through June 30, 2012 is approximately nine years and three months with a not-to-exceed amount of \$1,799,000.
- The proposed resolution would retroactively approve the Tenth Amendment to the existing contract between TIDA and Geomatrix, to extend the contract for one year and to increase the not-to-exceed amount by \$238,400 from \$1,799,000 to \$2,037,400. The Treasure Island/Yerba Buena Island Development Project Manager states that TIDA plans to issue a new RFP for environmental engineering services upon completion of the first transfer of property on the former naval base to TIDA, which is estimated to occur in approximately April 2013.

### **Fiscal Impacts**

- The not-to-exceed increased amount for the proposed Tenth Amendment of the existing contract is \$238,400 or 13.3 percent more than the existing authorized not-to-exceed contract amount of \$1,799,000. Funds for the proposed Tenth Amendment in the amount of \$238,400 are included in TIDA's FY 2012-13 budget, subject to final Board of Supervisors appropriation approval.

### **Recommendation**

- Approve the proposed resolution.



## MANDATE STATEMENT / BACKGROUND

### Mandate Statement

In accordance to the State's Treasure Island Conversion Act of 1997 and Treasure Island Development Authority's (TIDA) bylaws and purchasing policy, all contracts entered into by TIDA that have a term in excess of ten years or an amount of \$1,000,000 or more require Board of Supervisors approval by resolution.

### Background

In November 1998, TIDA<sup>1</sup> first selected AMEC Geomatrix Inc. (Geomatrix) to provide various environmental engineering consulting services from an existing Department of Public Works (DPW) "as-needed" consultant list developed through a competitive Request for Proposals (RFP) process. From November 1998 through June 2001, Geomatrix performed services to TIDA, as well as services to other City departments, under the contract with DPW. From June 2001 through March 2003, TIDA directly contracted with Geomatrix for environmental engineering consulting services.

In 2003, TIDA requested that the Navy begin negotiating an early transfer of the former Treasure Island Naval Station, which includes Treasure Island and Yerba Buena Island, to TIDA. According to Ms. Kelly Pretzer, the Treasure Island/Yerba Buena Island Development Project Manager, TIDA awarded a sole source contract to Geomatrix from April 1, 2003 to June 30, 2004, for a not-to-exceed amount of \$541,000 to provide technical services related to monitoring the Navy's environmental remediation to prepare for the early transfer. Ms. Pretzer advises that the basis for the sole source contract awarded was because of Geomatrix's knowledge of the Navy's environmental remediation program at the former naval base.<sup>2</sup>

Between June 2004 and June 2011, TIDA approved nine contract amendments, on a sole source basis, extending the term from July 1, 2004 through June 30, 2012 because TIDA required continuity in the program to oversee the Navy's environmental remediation of the former Naval base prior as part of the transfer of the base to the City. The Board of Supervisors previously approved the fourth through ninth amendments. Table 1 below details the original contract and the nine amendments to the contract between TIDA and Geomatrix. The current Ninth Amendment extends the contract term from July 1, 2011 through June 30, 2012.

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<sup>1</sup>On May 2, 1997, the Board of Supervisors authorized the Mayor's Treasure Island Project Office to establish the Treasure Island Development Authority (TIDA), a nonprofit public benefits agency that manages the conversion of the formal Treasure Island Naval Station from the Navy use to civilian use.

<sup>2</sup> As part of its transfer responsibilities, and pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Navy has been undertaking an environmental remediation program to meet federal and state requirements for transferring the naval station to TIDA in an environmental condition to support TIDA's planned civilian use.

**Table 1: Original Contract and Nine Amendments  
to the Contract between TIDA and Geomatrix**

Contract	Time Frame	Not-to-Exceed Contract Amount	Increase in Contract Amount
Original	April 1, 2003 - June 30, 2004	\$541,000	-
First Amendment	July 1, 2004 - August 31, 2004	\$541,000	\$0
Second Amendment	September 1, 2004 - June 30, 2005	\$719,000	\$178,000
Third Amendment	July 1, 2005 - June 30, 2006	\$899,000	\$180,000
Fourth Amendment	July 1, 2006 - June 30, 2007	\$1,079,000	\$180,000
Fifth Amendment	July 1, 2007 - June 30, 2008	\$1,259,000	\$180,000
Sixth Amendment	July 1, 2008 - June 30, 2009	\$1,439,000	\$180,000
Seventh Amendment	July 1, 2009 - June 30, 2010	\$1,619,000	\$180,000
Eighth Amendment	July 1, 2010 - June 30, 2011	\$1,799,000	\$180,000
Ninth Amendment	July 1, 2011 - June 30, 2012	\$1,799,000	\$0

The total contract term from April 1, 2003 through June 30, 2012 is approximately nine years and three months with a not-to-exceed amount of \$1,799,000. The total expenditures to date from April 1, 2003 through May 25, 2012 are \$1,763,773, which is \$35,227 or 2% less than the current budgeted amount of \$1,799,000.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve the Tenth Amendment to the existing contract between TIDA and Geomatrix, to extend the term from July 1, 2012 through June 30, 2013 and to increase the not-to-exceed amount by \$238,400 from \$1,799,000 to \$2,037,400.

According to Ms. Pretzer, TIDA requests to extend the contract by one year through June 30, 2013 because the “Initial Closing,” the first substantial transfer of property on Treasure Island and Yerba Buena Island from the Navy to TIDA, has been rescheduled for approximately April 2013 due to delays in the Navy’s environmental remediation schedule and activities. Ms. Pretzer notes that TIDA may need Geomatrix’s services for approximately two additional months after the Initial Closing to prepare proper documentations to close the escrow on the property conveyance.

As a result of the extended timeline for transferring the former Navy base from the Navy to TIDA, the proposed amended services would authorize Geomatrix to continue (a) to oversee the ongoing Navy environmental remediation (Task A) and (b) to assist TIDA with the property transfer and master developer negotiations with the Navy (Task B). Under the proposed amendment to the existing contract, proposed services performed by Geomatrix under Task A are expected to increase, while services under Task B will remain unchanged.

The proposed environmental engineering services under Task A include:

- 111 federal Base Realignment and Closure Commission (BRAC) meetings, including preparation, attendance, and documentation of the meetings, an increase of 23 meetings from 88 meetings,
- 87 meetings supplemental technical meetings, including preparation, attendance, and documentation of the meetings, an increase of 15 meetings from 72 meetings,

- 292 technical document reviews, an increase of 56 document reviews from 236 document reviews,
- 50 dataset reviews, an increase of 14 dataset reviews from 36 datasets reviews, and
- 4 assessments of the fieldwork with no additional increase in services.

The proposed environmental engineering services under Task B, with no proposed increases in services, include:

- 200 hours of technical support to draft a Request for Qualifications (RFQ) and select an environmental remediation contractor,
- 27 meetings and 26 conference calls of technical support to negotiate with the Navy and regulators about property transfer issues,
- 40 supplemental technical meetings, including preparation, attendance, and documentation of the meetings,
- 16 technical document reviews related to property transfer, and
- 5 presentations to the public and City officials.

According to Ms. Pretzer, TIDA requests to continue to contract with Geomatrix for the Tenth Amendment, on a sole-source basis, because of (a) the importance of maintaining continuity of oversight of the Navy's environmental program, (b) satisfaction with the services provided by the contractor and the relationships Geomatrix has established with the Navy and local, State, and Federal regulatory agencies, and (c) the potential problems associated with the learning curve of a new engineering team. Ms. Pretzer states that TIDA will issue a new RFP for environmental engineering services upon the completion of the first transfer of property on the naval base to TIDA, which is estimated to occur in approximately April 2013.

## **FISCAL IMPACTS**

The not-to-exceed increased amount for the proposed Tenth Amendment of the existing contract is \$238,400 or 13.3% more than the existing authorized not-to-exceed contract amount of \$1,799,000. According to Ms. Pretzer, the increased not-to-exceed contract amount of \$238,400 is based on the latest actual expenditures under the existing contract, which have averaged \$19,867 per month.

Ms. Pretzer states that the proposed contract is supported by revenues realized from leasing activities on Treasure Island and Yerba Buena Island. Funds for the proposed Tenth Amendment are included in TIDA's FY 2012-13 budget, subject to final appropriation approval of the Board of Supervisors.

Table 2 below details the current contract budget and the proposed Tenth Amendment budget.

**Table 2: Current Contract and Proposed Tenth Amendment Budget**

<b>Task</b>	<b>Budget Under Existing Contract</b>	<b>Proposed Budget Under Tenth Amendment</b>	<b>Total Increase in Contract</b>
<b>Tasks A: Monitor the Navy's Environmental Remediation of Treasure Island</b>			
BRAC Closure Team Meetings	\$231,600	\$262,200	\$30,600
Supplemental Technical Meeting	137,700	137,700	0
Technical Documents Review	762,700	934,400	171,700
Data Review	82,000	100,000	18,000
Oversight of Field Work	22,000	22,000	0
Subtotal	1,236,000	1,456,300	220,300
Contingency	112,900	131,000	18,100
<b>Total</b>	<b>\$1,348,900</b>	<b>\$1,587,300</b>	<b>\$238,400</b>
<b>Task B: Assist TIDA with Property Transfer and Master Developer Negotiations</b>			
Technical Assistance	\$103,100	\$103,100	\$0
Supplemental Technical Meetings	122,000	122,000	0
Technical Documents Review	115,000	115,000	0
Presentations to Public and City officials	72,000	72,000	0
Subtotal	412,100	412,100	0
Contingency	38,000	38,000	0
<b>Total</b>	<b>450,100</b>	<b>450,100</b>	<b>0</b>
<b>Total Contract Budget</b>	<b>\$1,799,000</b>	<b>\$2,037,400</b>	<b>\$238,400</b>

## RECOMMENDATION

Approve the proposed resolution.

<b>Item 11</b> <b>File 12-0658</b>	<b>Departments:</b> Department of the Environment (DOE) Office of Contract Administration (OCA)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve the Fourth Amendment to the Refuse Collection Memorandum of Understanding (MOU) between the City and Recology San Francisco, Recology Golden Gate and Recology Sunset Scavenger (Recology) by authorizing an increase in the total not-to-exceed amount of the MOU by \$5,082,546 from the existing not-to-exceed \$28,059,629 to the proposed not-to-exceed \$33,142,175.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• On March 21, 2007, the Board of Supervisors authorized a not-to-exceed \$23,037,527 MOU between the City and Recology for Recology to provide refuse collection and recycling services for City departments (Resolution No. 147-07) for the period from April 1, 2007 through June 30, 2011. The agreement included two additional one-year options to extend, or through June 30, 2013, at the sole discretion of the Purchaser, after notification to the Board of Supervisors.</li> <li>• The agreement has been modified three times. The First Amendment exercised the first one-year option to extend, from July 1, 2011 to June 30, 2012, and increased the not-to-exceed amount by \$500,000, from \$23,037,527 to \$23,537,527. The Second Amendment increased the not-to-exceed amount by \$4,083,952, from \$23,537,527 to \$27,621,479 (File 11-1201). The Third Amendment extended the expiration from June 30, 2012 to July 31, 2012, and increased the not-to-exceed amount by \$438,150, from \$27,621,479 to \$28,059,629.</li> <li>• The Office of Contract Administration (OCA) notified the Board of Supervisors in a letter dated May 31, 2012 that it is exercising the second and final one-year option to extend the existing MOU. Because the Third Amendment extended the existing MOU from June 30, 2012 through July 31, 2012, the final one-year option to extend would take the form of an 11-month extension from August 1, 2012 through June 30, 2013.</li> <li>• The proposed Fourth Amendment would provide the authorization needed to fund the final option under the MOU by increasing the amount by \$5,082,546 from the existing not-to-exceed amount of \$28,059,629 to the proposed not-to-exceed amount of \$33,142,175.</li> <li>• The proposed Fourth Amendment is the second and final agreement extension option under the existing MOU. Any future agreement between the City and Recology for Recology to provide refuse collection and recycling services for City departments beyond June 30, 2013 would require a new agreement, subject to approval by the Board of Supervisors.</li> </ul> <p style="text-align: center;"><b>Fiscal Impacts</b></p> <ul style="list-style-type: none"> <li>• The proposed Fourth Amendment would provide funding authorization under the existing agreement through June 30, 2013 at a total increased cost to the City of \$5,082,546, which reflects a projected cost of \$438,150 per month, for 11 months, or \$4,819,650, plus a requested 5% contingency of \$262,896.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed resolution by reducing the requested amount by \$21,913, from \$33,142,175 to \$33,120,262, in order to correctly to reflect the request of the OCA for a 5% contingency amount, instead of the included 5.45% contingency amount.</li> <li>• Approve the proposed resolution, as amended.</li> </ul>	

## MANDATE STATEMENT AND BACKGROUND

### Mandate Statement

In accordance with City Charter Section 9.118(b), any contract or agreement (in this case a Memorandum of Understanding) that has a term in excess of ten years, or has \$10,000,000 or more in anticipated expenditures, or the modification of such agreement exceeds \$500,000, is subject to Board of Supervisors approval.

### Background

On March 21, 2007, the Board of Supervisors approved a not-to-exceed \$23,037,527 Memorandum of Understanding (MOU) between the City and County of San Francisco, through the Office of Contract Administration (OCA), and Sunset Scavenger Company, Golden Gate Disposal & Recycling Company and SF Recycling & Disposal Company, Inc., now known as Recology. The subject MOU is for Recology to provide refuse collection and recycling services for departments and facilities of the City and County of San Francisco (City) (Resolution No. 147-07). The initial four-year and three-month MOU was for the period from April 1, 2007 through June 30, 2011, and included two additional one-year options to extend, or through June 30, 2013, at the sole discretion of the Purchaser. Under the existing MOU, if the Purchaser exercises these options, the Purchaser is required to notify the Board of Supervisors of such extension.

The existing MOU was awarded to Recology, without conducting a competitive procurement process. Since 1932, Recology has been the only permitted hauler for refuse collection in San Francisco. Recology is the only vendor with a fleet of trucks, transfer station and recycling sorting facility in San Francisco. Past residential and commercial customer payments to the only permitted refuse collection provider have resulted in substantial investments by Recology for the needed infrastructure in San Francisco.

In negotiating the subject 2007 agreement, the City was able to secure discounts for City departments that were below commercial customer rates, with annual changes tied to the same annual rate as residential customers.

The agreement has been modified three times:

- The First Amendment exercised the first one-year option to extend, from July 1, 2011 to June 30, 2012, and increased the not-to-exceed amount by \$500,000, from \$23,037,527 to \$23,537,527. Because this increase did not exceed \$500,000, this First Amendment was not subject to Board of Supervisors approval.
- The Second Amendment increased the not-to-exceed amount by \$4,083,952, from \$23,537,527 to \$27,621,479. The Second Amendment was approved by the Board of Supervisors on December 13, 2011 (File 11-1201).
- The Third Amendment extended the expiration from June 30, 2012 to July 31, 2012, and increased the not-to-exceed amount by \$438,150, from \$27,621,479 to \$28,059,629. Because this increase did not exceed \$500,000, this Third Amendment was not subject to Board of Supervisors approval.

The Attachment, provided by OCA, shows a breakdown of the departmental expenditures for FY 2011-12, through May 8, 2012. According to OCA Assistant Director Ms. Jennifer Browne, no appropriation authority under the existing MOU will remain after July 31, 2012.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Fourth Amendment to the existing Refuse Collection MOU between the City and Recology San Francisco, Recology Golden Gate and Recology Sunset Scavenger (Recology) by authorizing an increase under the existing MOU by \$5,082,546 from a not-to-exceed amount of \$28,059,629 to a not-to-exceed amount of \$33,142,175.

The total not-to-exceed amount of \$33,142,175 would cover the period from April 1, 2007, when the existing MOU with Recology was first approved by the Board of Supervisors, through June 30, 2013, the expiration date of the final one-year option under the existing MOU.

Under the proposed amended agreement, Recology would waive their right to a cost of living increase during this last option year (11 months) from August 1, 2012 through June 30, 2013.

## FISCAL IMPACTS

As noted above, based on the Third Amendment as previously approved by the OCA, the existing MOU includes a total not-to-exceed \$28,059,629 authorization. The proposed Fourth Amendment to the existing MOU between the City and Recology would increase the not-to-exceed amount by \$5,082,546 from the existing not-to-exceed amount of \$28,059,629 to the proposed not-to-exceed amount of \$33,142,175. This \$5,082,546 requested increase reflects the estimated costs for Recology to provide refuse collection and recycling services to City Departments and facilities, at a cost of \$438,150 per month, for 11 months, from August 1, 2012 through June 30, 2013, or a total of \$4,819,650, plus a contingency of \$262,896, which is a 5.45% contingency amount. According to Ms. Browne, the requested \$438,150 per month was based on the average actual monthly expenditures paid by City Departments to Recology for Fiscal Years 2009-10, 2010-11, and July 1, 2011 through May 8, 2012.

The revenues to pay for the subject MOU are funded through the individual City departments' annual FY 2012-13 operating budgets, as previously approved by the Board of Supervisors.

The OCA requested 11 months of MOU funding, or a total of \$4,819,650, plus a 5% contingency. As is stated in the Fiscal Impacts section above, the requested contingency of \$262,891 is 5.45% of the 11 months of MOU funding of \$4,819,650, for a total request of \$5,082,546 (\$4,819,650 plus \$262,896). A 5.00% contingency amount, which was requested by the OCA, is \$240,983, or \$21,913 less than the requested \$262,896 included contingency amount. A reduction of \$21,913 would allow for a 5.00% contingency amount as requested, instead of the included 5.45% contingency amount, from August 1, 2012 through June 13, 2013, which would be consistent with the request of OCA.

**RECOMMENDATIONS**

1. Amend the proposed resolution by reducing the requested not-to-exceed amount by \$21,913, from a not-to-exceed amount of \$33,142,175 to a not-to-exceed amount of \$33,120,262, in order to correctly reflect the request of the OCA for a 5.00% contingency amount, instead of the included 5.45% contingency amount.
2. Approve the proposed resolution, as amended.



FY11/12 Vouchered Amounts as of 5/08/12 (data source: EIS Reporting Tool)

Fiscal Year	Post Date	Vouchering Dept	Department Title	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2012	08/30/2010	ANC	GENERAL SERVICES AGENCY - CITY ADMIN	3,044	0	0	0	0	0	0	0	0	0	0	0	3,044
2012	01/10/2012	ANC	GENERAL SERVICES AGENCY - CITY ADMIN	3,575	0	3,575	3,575	0	7,149	3,676	3,575	3,575	3,575	0	0	32,274
2012	01/04/2012	DPT1	MUNICIPAL TRANSPORTATION AGENCY	0	0	111,806	0	0	0	107,233	115,361	59,737	108,157	0	0	502,294
2012	07/01/2010	PRT	PORT	5,444	0	0	0	0	0	0	0	0	0	0	0	5,444
2012	01/31/2012	PRT	PORT	21,807	5,444	5,444	5,760	10,888	5,545	5,444	5,444	5,545	5,444	0	0	54,957
2012	03/21/2012	PRT	PORT	0	18,306	16,719	0	31,118	13,182	14,373	14,711	20,722	15,498	0	0	21,807
2012	07/01/2010	PTC	MUNICIPAL TRANSPORTATION AGENCY	0	241	0	0	0	0	0	0	0	0	0	0	145,629
2012	03/21/2012	MTA	MUNICIPAL TRANSPORTATION AGENCY	0	0	0	0	0	0	0	0	0	0	0	0	241
2012	05/04/2012	HLF	PUBLIC HEALTH	48,087	0	0	0	0	0	0	0	0	0	0	0	48,087
2012	07/06/2010	CWP	WASTEWATER ENTERPRISE	0	10,212	0	0	0	173,184	37,391	39,731	37,990	36,144	0	0	372,528
2012	01/06/2012	CMPA	WASTEWATER ENTERPRISE	0	0	11,160	19,261	0	0	19,366	0	0	0	1,136	0	80,030
2012	06/30/2011	DSS	HUMAN SERVICES	0	6,023	0	3,885	0	0	0	10,405	19,838	0	0	0	9,888
2012	11/16/2011	DSS	HUMAN SERVICES	0	0	0	0	19,776	6,023	0	0	0	0	0	0	25,799
2012	01/09/2012	DSS	HUMAN SERVICES	0	0	0	0	0	0	76,220	19,959	30,399	20,970	9,888	0	147,548
2012	07/01/2011	DPWGA	GENERAL SERVICES AGENCY - PUBLIC WORKS	0	2,901	2,921	2,921	2,904	2,915	2,890	2,886	5,810	0	0	0	23,228
2012	01/27/2012	SHF	SHERIFF	0	2,196	2,196	0	4,546	2,297	2,301	2,301	2,301	2,301	0	0	20,439
2012	07/01/2011	WTR	WATER DEPARTMENT	0	4,883	0	0	0	17,933	4,375	4,516	6,294	0	0	0	38,001
2012	07/05/2011	CWP	WASTEWATER ENTERPRISE	0	1,523	1,523	1,523	1,523	1,523	1,759	1,405	3,144	0	0	0	13,922
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	3,657	0	3,808	8,350	0	3,706	3,735	3,766	4,628	3,853	0	31,649
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	24,619	0	29,607	69,964	0	27,409	24,180	26,769	37,233	40,888	0	239,781
2012	02/27/2012	JUV	JUVENILE PROBATION	0	0	0	0	0	0	0	2,322	0	2,322	0	0	4,643
2012	01/27/2012	HGH	PUBLIC HEALTH	0	0	0	15,053	7,528	7,528	7,470	7,811	7,730	0	0	0	53,119
2012	07/01/2011	ECB	DEPARTMENT OF EMERGENCY MANAGEMENT	0	2,042	2,042	2,042	2,042	2,042	4,084	2,042	0	3,869	0	0	18,162
2012	07/06/2011	HCH	PUBLIC HEALTH	0	0	932	0	932	0	471	939	469	0	469	0	3,745
2012	02/27/2012	HCH	PUBLIC HEALTH	0	0	11,203	5,602	5,602	0	5,602	11,203	5,602	0	0	0	44,812
2012	01/09/2012	HMH	PUBLIC HEALTH	0	0	7,645	3,790	3,790	0	7,627	7,607	3,784	3,765	0	0	34,217
2012	02/08/2012	POL	POLICE	0	0	33,227	16,614	15,553	0	15,553	31,107	0	15,553	15,553	0	127,607
2012	01/11/2012	REC	RECREATION AND PARK COMMISSION	0	0	0	0	0	0	972,785	0	210,428	0	109,645	0	1,183,213
2012	01/25/2012	TIS02	GENERAL SERVICES AGENCY - TECHNOLOGY	0	0	0	1,787	0	0	0	0	0	0	0	0	1,787
2012	02/02/2012	TIS02	GENERAL SERVICES AGENCY - TECHNOLOGY	0	0	2,355	0	2,259	0	1,787	4,141	1,734	1,126	0	0	15,189
2012	08/29/2011	JUV	JUVENILE PROBATION	0	2,322	2,322	0	2,322	0	0	0	0	0	0	0	6,965
2012	12/02/2011	JUV	JUVENILE PROBATION	0	0	0	0	2,322	0	0	0	0	0	0	0	4,643
2012	07/09/2011	FIR	FIRE DEPARTMENT	0	16,878	14,469	14,214	14,090	0	4,643	0	0	0	0	0	6,965
2012	02/01/2012	HHP	HETCH HETCHY	0	877	0	0	438	0	28,770	14,135	15,284	0	0	0	133,122
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	988	0	967	1,003	0	438	877	488	438	0	0	3,506
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	3,593	0	3,751	7,031	0	939	929	976	0	942	0	5,801
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	3,625	0	3,625	3,625	0	3,672	3,672	3,672	3,672	3,438	0	28,984
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	1,365	0	1,365	2,729	0	3,625	3,625	3,625	3,625	3,625	0	25,376
2012	07/06/2010	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	502	0	0	0	0	1,365	1,365	1,365	1,365	1,365	0	10,917
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	2,981	0	2,981	5,961	0	4,116	2,981	2,981	3,591	2,261	0	502
2012	07/06/2010	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	7,143	0	0	0	0	0	0	0	0	0	0	25,592
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	3,063	0	3,179	6,289	0	3,115	3,115	3,115	3,232	3,145	0	7,143
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	1,209	0	1,209	2,418	0	1,209	1,209	1,209	1,209	1,209	0	25,109
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	774	0	774	1,639	0	774	684	0	1,549	1,209	0	9,671
2012	07/01/2011	RES	GENERAL SERVICES AGENCY - CITY ADMIN	0	3,171	0	3,171	6,342	0	3,171	3,171	3,171	3,171	3,171	0	6,195
2012	08/31/2011	PDR	PUBLIC DEFENDER	0	83	0	166	166	83	83	83	83	83	83	0	25,366
2012	07/15/2011	PUR02	GENERAL SERVICES AGENCY - CITY ADMIN	0	215	215	215	215	0	429	215	0	429	0	0	666
2012	01/06/2012	CWPA	WASTEWATER ENTERPRISE	0	0	19,700	9,850	16,257	0	33,580	12,748	0	25,496	0	0	1,932
2012	02/07/2012	HGH	PUBLIC HEALTH	0	0	40,105	0	88,347	42,146	0	40,297	87,567	0	41,333	0	117,630
2012	04/06/2012	CAOCA	GENERAL SERVICES AGENCY - CITY ADMIN	0	0	0	0	0	0	0	0	0	0	0	0	298,443
2012	07/07/2010	LIB	PUBLIC LIBRARY	0	7,519	0	0	0	0	0	0	1,389	0	0	0	1,389
2012	02/15/2012	LIB	PUBLIC LIBRARY	0	7,504	7,365	0	7,609	7,070	0	22,145	6,707	0	0	0	7,519
				33,871	479,601	310,128	156,717	383,288	291,221	1,409,331	426,634	584,074	328,657	259,667	0	4,073,292

<b>Item 12</b> <b>File 12-0453</b>	<b>Department(s):</b> Office of Contract Administration (OCA)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize the Office of Contract Administration (OCA) to execute the Sixth Amendment to the existing agreement with Western States Oil to increase the not-to-exceed by \$29,200,000 or 37.3 percent from \$78,300,000 to \$107,500,000 and execute the third option to extend the term of the agreement by one year from September 1, 2012 through August 31, 2013.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The existing agreement between the OCA and Western States Oil, which was previously approved by the Board of Supervisors on August 11, 2009 (Resolution No. 345-09), was for one year, from September 1, 2009 through August 31, 2010. Subsequently the not-to-exceed amount was amended three times for a current total not-to-exceed \$78,300,000, extending through August 31, 2012.</li> <li>• Under the existing agreement, Western States Oil provides the City and County of San Francisco with gasoline, diesel, biodiesel and fuel for over 6,000 vehicles and 700 pieces of equipment, including generators, used by various City departments.</li> </ul> <p style="text-align: center;"><b>Fiscal Impacts</b></p> <ul style="list-style-type: none"> <li>• Although OCA's requested one year authorization of \$29,200,000 is based on average monthly expenditures of \$2,317,039 from September 1, 2011 through March 31, 2012, more recent data provided by OCA show that the average monthly expenditures for the first ten months of the current agreement year, or from September 1, 2011 through June 30, 2012 are \$2,215,233 per month, due to a reduction in fuel purchases. Therefore, the City is now projected to expend a total of approximately \$26,582,796 (12 times \$2,215,233) on an annualized basis, instead of OCA's projected \$27,804,468.</li> <li>• Therefore, the Budget and Legislative Analyst estimates that the needed total not-to-exceed amount for the proposed Sixth Amendment should be \$27,900,000, based on the latest projected annual expenditures of \$26,582,796, plus a five percent contingency. This \$27,900,000, instead of the requested \$29,200,000, would result in a reduction of \$1,300,000 (\$29,200,000 less \$27,900,000), which would still allow for the current level of spending to continue through the proposed extension of the current agreement, and provide for a five percent contingency to allow for increased spending that may result from fluctuations and volatility in oil prices.</li> <li>• The funding source for the proposed Sixth Amendment are monies included in the City departments' FY 2012-13 budgets for purchasing fuel, including the San Francisco Municipal Transportation Agency, the Public Utilities Commission, the Airport, the Police Department, the Fire Department, the Sheriff Department, the Port, the Department of Public Works, the Recreation and Park Department, and the City's Central Shops. All such budgeted funds are subject to final appropriation approval by the Board of Supervisors.</li> </ul>	

**Recommendations**

- Amend the proposed resolution to reduce the proposed not-to-exceed amount of \$107,500,000, by \$1,300,000, to \$106,200,000, thereby resulting in a not-to-exceed needed increased amount of \$27,900,000 instead of the requested \$29,200,000.
- Approve the proposed resolution, as amended.

**MANDATE STATEMENT/ BACKGROUND****Mandate Statement**

In accordance with Charter Section 9.118(b), City agreements with anticipated expenditures of \$10,000,000, or more or amendments to such City agreements with anticipated expenditures of more than \$500,000 are subject to approval by the Board of Supervisors.

**Award of Existing Agreement to Western States Oil**

On August 11, 2009, based on a competitive bid process, the Board of Supervisors approved a one year agreement for a not-to-exceed \$25,000,000 between Western States Oil and the City, through the Office of Contract Administration (OCA) for Western States Oil to provide the City and County of San Francisco with gasoline, diesel, biodiesel and fuel for over 6,000 vehicles and 700 pieces of equipment, including generators, used by various City departments (Resolution No. 345-09). This one year agreement extended from September 1, 2009 through August 31, 2010, and also included four one-year options to renew, or through August 31, 2014.

OCA awarded the City's primary fuel provider<sup>1</sup> agreement to Western States Oil as the lowest bidder, based on fixed prices expressed as a markup or markdown from the daily price per gallon published by the industry group, known as the Oil Price Information Service (OPIS)<sup>2</sup>. The bid prices are fixed for the entire term of the agreement, including options to extend, and include all overhead and/or delivery of fuel costs. OCA multiplied each bidder's markup or markdown price per gallon for each type of fuel by the City's estimated number of gallons needed per year, resulting in the total bid price.

The not-to-exceed agreement for \$25,000,000 (a) assumed an average annual consumption of 9,025,000 total gallons of fuel, or an average price of \$2.77 per gallon, and (b) was consistent with the City's average actual expenditures on gasoline and diesel fuel in the two fiscal years preceding the existing agreement commencement date of September 1, 2009. The City expended \$24,416,512 on gasoline and diesel fuel in FY 2007-08 and \$25,431,930 in FY 2008-09.

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<sup>1</sup> In addition to the City's primary vendor, the City has secondary and tertiary fuel vendors, as back-up fuel vendors in case of emergency or in case the primary vendor is not able to satisfactorily perform. Under the existing agreement, Western States Oil, as the primary vendor, receives 100 percent of the City's business for the various types of fuel. The City's secondary fuel vendor is Nella Oil Company, LLC, and the tertiary fuel vendor is Golden Gate Petroleum.

<sup>2</sup> The OPIS purchase price is a standard market purchase price for a particular fuel and is not controlled by the City or the fuel distribution vendor. While the markup or markdown price will remain fixed, the OPIS price per gallon fluctuates daily. Therefore, the actual price that the City pays for fuel fluctuates throughout the term of the agreement.

### Previous Five Amendments to the Existing Agreement

On October 9, 2009, OCA executed the First Amendment to the existing agreement to add Red Dye Diesel<sup>3</sup> for use by the San Francisco Fire Department and the Port “over marine waters”. On February 12, 2010, OCA executed the Second Amendment to the existing agreement to add Methanol<sup>4</sup> for the Public Utilities Commission’s (PUC) Oceanside Plant. Neither of these amendments was subject to the Board of Supervisors approval because they did not (a) extend the term of the agreement beyond ten years, nor (b) increase the not-to-exceed amount.

On August 3, 2010 the Board of Supervisors approved the Third Amendment to the existing agreement, which exercised the first option to extend the agreement by one year from September 1, 2010 through August 31, 2011 and increased the not-to-exceed amount by \$25,000,000 or 100 percent from \$25,000,000 to \$50,000,000 (Resolution No. 0368-10).

On July 1, 2011, OCA executed the Fourth Amendment to the existing agreement which exercised the second option to extend the agreement by one year from September 1, 2011 through August 31, 2012 and increased the not-to-exceed amount by \$500,000 or 1 percent from \$50,000,000 to \$50,500,000 to allow Departments to encumber funding to cover monthly invoices until OCA could request additional funding authorization. This amendment was not subject to Board of Supervisors approval because it did not (a) extend the term of the agreement beyond ten years, nor (b) increase the not-to-exceed amount by more than \$500,000.

On October 18, 2011, the Board of Supervisors approved the Fifth Amendment to increase the not-to-exceed amount by \$27,800,000 from \$50,500,000 to \$78,300,000 which is the presently authorized not-to-exceed amount (Resolution No. 0434-11).

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Office of Contract Administration to execute the Sixth Amendment to the existing agreement with Western States Oil to increase the not-to-exceed amount by \$29,200,000 from \$78,300,000 to \$107,500,000 by executing the third option to extend the term of the agreement by one year from September 1, 2012 through August 31, 2013.

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<sup>3</sup> Red Dye Diesel is a diesel fuel with red pigment added that can only be used in non-road driven vehicles and equipment, such as lawn mowers and generators. According to Ms. Jennifer Browne, Assistant Director of OCA, because Red Dye Diesel cannot be used on roads, it is not taxed as heavily and therefore the City realizes a significant savings over regular diesel fuel.

<sup>4</sup> Methanol is a colorless, toxic, flammable liquid used as an antifreeze, a general solvent, a fuel, and a denaturant (a substance which changes by chemical or physical means, such as the action of acid or heat, to cause loss of solubility, biological activity, etc.) for ethyl alcohol. Methanol may be used to produce biodiesel.

## FISCAL IMPACTS

According to Ms. Jennifer Browne, Assistant Director of OCA, and as shown in Table 1 below, the City expended an average of \$2,317,039 per month during the first seven months of the current agreement year from September 1, 2011 through March 31, 2012, or a total of \$16,219,273. Based on this first seven month's average monthly expenditures of \$2,317,039, OCA projected comparable spending rates for the remaining five months of the current agreement year or \$11,585,195 (\$2,317,039 per month x five months), such that the City projected expending a total of approximately \$27,804,468 (\$16,219,273 plus \$11,585,195) in the current agreement year, extending from September 1, 2011 through August 31, 2012.

Ms. Browne advises that, as shown in Table 1 below, the subject requested \$29,200,000 increased amount under the proposed Sixth Amendment, which would extend the term of the existing agreement by one year, from September 1, 2012 through August 31, 2013, was calculated by (a) adding the projected September 1, 2011 through August 31, 2012 expenditure rate of \$27,804,468, rounded to the nearest \$10,000 or \$27,800,000, and (b) then adding five percent of this projected spending rate (\$1,390,223) rounded to the nearest \$100,000 or \$1,400,000 (\$27,800,000 plus \$1,400,000 equals \$29,200,000).

**Table 1: Requested Sixth Amendment Based on the Current Agreement (September 1, 2011 through August 31, 2012)**

Category	Amount
Average Monthly Expenditures (From September 1, 2011 Through March 31, 2012)	\$2,317,039
Annual Amount Projected based on current year expenditures	\$27,804,468
Amount Requested based on projected current year expenditures, rounded to nearest \$10,000	27,800,000
Five Percent Contingency for fluctuating oil prices	\$1,400,000
Amount Requested in proposed Sixth Amendment	\$29,200,000

Although OCA's data shown in Table 1 above reflects an average monthly rate of \$2,317,039 (without the five percent contingency), more recent data provided by OCA show that the average monthly expenditures for the first ten months of the current agreement year, or from September 1, 2011 through June 30, 2012 are \$2,215,233 per month, due to a reduction in fuel purchases. Therefore, as shown in Table 2 below, the City is now projected to expend a total of approximately \$26,582,796 in the current agreement year, extending from September 1, 2011 through August 31, 2012, instead of the projected \$27,804,468 shown in Table 1 above.

Therefore, as shown in Table 2 below, the Budget and Legislative Analyst estimates that the required total not-to-exceed amount for the proposed Sixth Amendment, or from September 1, 2012 through August 31, 2013, should be \$27,900,000, based on the revised \$26,582,796 projected annual expenditures, plus a five percent contingency (\$1,329,139), rounded to the

nearest \$100,000. As shown in Table 2 below, this revised \$27,900,000 (\$26,600,000 plus \$1,300,000) would provide sufficient authorization for the current average monthly expenditures to continue through next year and would also provide for a 5 percent contingency to allow for increased spending that may result from fluctuations and volatility in oil prices.

**Table 2: Contract Details under Current Contract Year (September 1, 2011-August 31, 2012) as of July 9, 2012**

Category	Amount
Average Monthly Expenditures (from September 1, 2011 through June 30, 2012)	\$2,215,233
Annual Amount Projected based on current year expenditures	\$26,582,796
Contingency for fluctuating oil prices (5%)	\$1,329,139
Revised Amount for proposed Sixth Amendment (rounded to nearest \$100k)	\$ 27,900,000

As noted above, the proposed resolution would authorize the OCA to enter into a Sixth Amendment to increase the Western States Oil Agreement from a not-to-exceed \$78,300,000 to \$107,500,000, an increase of \$29,200,000. However, as shown in Table 2 above, the revised estimated amount required for the subject Sixth Amendment is \$27,900,000 or \$1,300,000 less than the \$29,200,000 increase requested. Therefore, the proposed resolution should be amended to reduce the requested not-to-exceed amount of \$107,500,000 by \$1,300,000 to \$106,200,000, thereby resulting in a not-to-exceed needed increased amount of \$27,900,000 instead of \$29,200,000. Given the latest trends in fuel purchases Ms. Browne agrees with revising the not-to-exceed increased amount to \$27,900,000.

According to Ms. Browne, the funding source for the proposed Sixth Amendment are monies included in individual City departments' FY 2012-13 budgets for purchasing fuel, including the San Francisco Municipal Transportation Agency, the Public Utilities Commission, the Airport, the Police Department, the Fire Department, the Sheriff's Department, the Port, the Department of Public Works, the Recreation and Park Department, and the City's Central Shops. All such budgeted funds are subject to Board of Supervisors appropriation approval.

## POLICY CONSIDERATIONS

As noted above, the existing Western States Oil agreement initially extended for one year, from September 1, 2009 through August 31, 2010, and also included four one-year options, or through August 31, 2014. OCA structured the existing Western States Oil agreement to be for an initial term of one year, with four one-year options to extend, in order to provide OCA with the flexibility to either (a) extend the existing agreement or alternatively (b) rebid a new diesel and gasoline fuel agreement based on the future needs of the City. According to Ms. Browne, the OCA will likely rebid the agreement sometime in 2013, prior to the expiration of this subject requested third option which expires on August 31, 2013, through a competitive Request for Proposal (RFP) process "in order to accurately reflect current and predicted usage of higher biodiesel mixtures."

Further, if the cost of fuel continues to increase in the long run, as OCA and long term trends suggest they will, it will become increasingly necessary that City departments work to decrease

their fuel consumption and/or move to more efficient or less expensive fuels. According to Ms. Browne, prices on all fuel types are expected to increase, including the cost of bio-fuel blends. The City has a number of initiatives aimed at fuel conservation in place, including Car Share, Fleet Reduction, installation of Electric Vehicle Charging Stations and Term Contracts designed to encourage purchases of Fuel Efficient, Natural Gas and Hybrid vehicles. Additionally, the Healthy Air & Clean Transportation Ordinance encourages City departments with responsibility for fleet vehicles to use public transportation whenever possible, in order to reduce fleet size and to trade in older, less fuel efficient vehicles for new fuel efficient vehicles.

## RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested not-to-exceed amount of \$107,500,000, by \$1,300,000, to \$106,200,000, thereby resulting in a not-to-exceed needed increased amount of \$27,900,000 instead of \$29,200,000.
2. Approve the proposed resolution, as amended.



**Item 13**  
**File 12-0407**  
*(Continued from July 18, 2012)*

**Departments:**  
 Treasurer/Tax Collector  
 Police Department

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed ordinance would amend the City's Business and Tax Regulations Code Article 9, by adding Section 608 to exempt a limited number of special events operated by the volunteers of nonprofit organizations on San Francisco Unified School District (SFUSD) property for the sole benefit of San Francisco public schools that earn less than \$10,000 in gross parking revenue per event, from paying the City's Parking Tax and related requirements, and establishing Special School Parking Event permits to be issued by the Tax Collector's Office. The proposed ordinance would also amend the City's Police Code Section 1215 to exempt said organizations from the requirement of obtaining commercial parking operator permits, and would establish a sunset date of December 31, 2015.

### Key Points

- Under the proposed Amendment of the Whole, Parking Taxes would not be required to be collected or remitted by operators of special school events if: (a) parking is conducted on SFUSD property; (b) the parking activity is provided by a volunteer-led Section 501(c)(3) nonprofit organization; (c) 100% of the parking earnings are for the sole benefit of SFUSD, and (d) gross revenues from the school parking event do not exceed \$10,000.
- Under the proposed ordinance, the Tax Collector could issue a maximum of 150 Special School Parking Event permits annually, on a first-come, first-serve basis at no charge to the President, Chief Administrative Officer or equivalent official at the Second District PTA for distribution to qualifying organizations. Such qualifying organizations would also be exempt from (a) obtaining a Certificate of Authority from the Tax Collector, (b) a Parking Tax bond, (c) Tax Collector revenue control requirements, and (d) obtaining a commercial parking permit, as currently required.

### Fiscal Impacts

- Assuming a maximum of 150 Special School Parking Event permits are issued annually and each Special School Parking Event generates the maximum \$10,000, the City would forgo an estimated \$300,000 of annual Parking Tax revenues. In addition, if the maximum 150 Special School Parking Event permits are issued each year, the proposed ordinance would result in the City forgoing an additional \$189,300 of annual fee revenue. Together, this would result in a maximum forgone loss of \$489,300 annually in revenues to the City.
- However, it should be noted that, fundraising events that are sponsored by the PTA to benefit the San Francisco Unified School District at SFUSD locations are not currently paying the above-noted Parking Taxes or fees to the City, although City Code provisions currently require that these Parking Taxes and fees be paid.

### Recommendation

- Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

## MANDATE STATEMENT/ BACKGROUND

### Mandate Statement

In accordance with Charter Section 2.105, all legislative acts shall be by written ordinance, approved by the Board of Supervisors.

### Background

In accordance with the City's Business and Tax Regulations Code, the City's Parking Tax rate is currently 25 percent. In accordance with Article 9, Section 604 of the City's Business and Tax Regulations Code, every operator maintaining a place of business in San Francisco that includes renting of parking spaces shall collect Parking Taxes from the occupants, or otherwise be liable to the City's Tax Collector for the amount of Parking Tax due each month. In addition, Article 6 of the City's Business and Tax Regulations Code requires each parking operator to obtain a Certificate of Authority (COA) from the City's Tax Collector in order to collect the City's Parking Taxes and to obtain a Parking Tax bond, and Article 22 imposes specified revenue control equipment requirements on parking operators.

In addition, in accordance with Article 17, Section 1215 of the City's Police Code, the Chief of Police is responsible for issuing commercial parking permits to operators of parking garages and parking lots, where vehicles are parked for a charge.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the City's Business and Tax Regulations Code Article 9, by adding Section 608 to exempt a limited number of special events operated by volunteer-led nonprofit organizations on San Francisco Unified School District (SFUSD) property for the sole benefit of San Francisco public schools that earn less than \$10,000 in gross parking revenue per event, from paying the City's Parking Tax and other related requirements, and provide that such Special School Parking Event permits be issued by the Tax Collector's Office. The proposed ordinance would also amend the City's Police Code Section 1215 to exempt said organizations from the requirement of obtaining commercial parking operator permits. The proposed ordinance would expire on December 31, 2015, unless the Board of Supervisors or the voters extends the proposed Parking Tax exemption.

Specifically, the new Section 608 of the Business and Tax Regulations Code would provide that no Parking Taxes would be required to be collected and remitted by the operators of special school events if:

- Parking is conducted on San Francisco Unified School District (SFUSD) property;

- Parking activity is provided by a volunteer-led Section 501(c)(3) nonprofit organization;
- 100% of the parking revenues are for the sole benefit of San Francisco public schools and gross revenues from the school parking event do not exceed \$10,000;
- The Tax Collector could issue a maximum of 150 Special School Parking Event permits annually, on a first-come, first-serve basis at no charge to the President, Chief Administrative Officer, or equivalent official at the Second District PTA<sup>1</sup> for distribution to eligible organizations for conducting the special school parking events.
- Each Special School Parking Event Permit would (a) be valid for one school parking event, (b) not be transferable, and (c) be valid only during the calendar year issued. Prior to the event, the organization must notify the Tax Collector regarding the specified date and location of the Special School Parking Event and have the permit publicly displayed and available for inspection on-site.

The proposed new Section 608 of the Business and Tax Regulations Code would also:

- Require the Tax Collector to prescribe the Special School Parking Event permit application, determine whether an organization meets the specified requirements and not charge any fees for applying for or obtaining such Special School Parking Event permits.
- Provide that such qualified nonprofit organizations would also be exempt from (a) obtaining a Certificate of Authority from the Tax Collector, (b) a Parking Tax bond, or (c) Tax Collector revenue control requirements, as currently required.

In addition, the proposed ordinance would amend Section 1215(d) of the Police Code to exempt those nonprofit organizations which have applied for and obtained Special School Parking Event permits from obtaining a commercial parking permit, as currently required.

Under the proposed ordinance, the Second District PTA would be required to (a) maintain and make available business and tax records for five years from the date the Special School Parking permit was issued, which would be available to the Tax Collector to determine the organization's eligibility and use of the special school parking permits, and (b) submit annual returns on a form prescribed by the Tax Collector that identifies the number of permits received, dates of the parking events conducted, parking rates charged for each event, and gross revenues collected for each event.

In addition, the Tax Collector would be required to annually submit a report to the Board of Supervisors that identifies (a) the number of permits issued, (b) total gross parking revenues realized by the nonprofit organizations, and (c) total Parking Tax revenues forgone.

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<sup>1</sup> The Second District of the California State Parent Teacher Association (PTA) is the PTA umbrella organization for San Francisco and is the only nonprofit organization specifically identified in the proposed ordinance.

## FISCAL ANALYSIS

According to Mr. Greg Kato, the Policy and Legislative Manager for the Treasurer/Tax Collector's Office, and as shown in Table 1 below, assuming the maximum 150 Special School Parking Event permits are issued annually and that each Special School Parking Event generates the maximum \$10,000, the City would forgo an estimated \$300,000 of annual Parking Tax revenues.

**Table 1: Maximum Forgone Annual Parking Tax Revenues**

Maximum Revenue Per Event*	\$10,000
Current Parking Tax Rate	25%
Maximum Parking Tax Revenue Per Event	\$2,000
Maximum Special School Parking Event Permits per Year	150
<b>Maximum Forgone Annual Parking Tax Revenues</b>	<b>\$300,000</b>

\* Based on total parking revenues of \$10,000, \$8,000 is assumed to be the actual parking rent, and \$2,000 or 25% is assumed to be the Parking Tax.

The proposed ordinance would also exempt Special School Parking Event permit holders from (a) obtaining commercial parking operator permits from the Police Department, which are projected to cost \$762<sup>2</sup> per year, and (b) paying revenue control equipment fees to the Tax Collector, which currently cost \$500 per year. As shown in Table 2 below, if the maximum 150 Special School Parking Event permits are issued each year, the proposed ordinance would result in the City forgoing an additional \$189,300 of annual fee revenue.

**Table 2: Maximum Forgone Annual Commercial Parking Operator Permit Fees and Revenue Control Equipment Fees**

Annual Commercial Parking Operator Permit Fees	\$762
Maximum Special School Parking Event Permits per Year	150
<b>Maximum Forgone Annual Commercial Parking Operator Fees</b>	<b>\$114,300</b>
Annual Revenue Control Equipment Fees	\$500
Maximum Special School Parking Event Permits per Year	150
<b>Maximum Forgone Annual Revenue Control Equipment Fees</b>	<b>\$75,000</b>
<b>Total Annual Forgone Fees</b>	<b>\$189,300</b>

Together, the proposed ordinance is projected to result in a maximum forgone loss of \$489,300 in revenues annually to the City (\$300,000 plus \$189,300). However, it should be noted that, fundraising events that are sponsored by the PTA to benefit the San Francisco Unified School District at SFUSD locations are not currently paying the above-noted Parking Taxes or fees to the City, although City Code provisions currently require that these Parking Taxes and fees be paid.

<sup>2</sup> An ordinance to increase commercial parking operator permit fees charged by the Police Department from \$455 to \$762 is currently pending before the Board of Supervisors (File 12-0597).

In addition, the Treasurer/Tax Collector's Office would be responsible for administering the proposed Special School Parking Event permit program, which Mr. Kato advises would result in minor additional operating expenses, which would be absorbed in the Tax Collector's Office existing budget.

**RECOMMENDATION**

Approval of the proposed ordinance is a policy decision for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Chu  
Supervisor Avalos  
Supervisor Kim  
President Chiu  
Supervisor Campos  
Supervisor Cohen  
Supervisor Elsbernd  
Supervisor Farrell  
Supervisor Mar  
Supervisor Olague  
Supervisor Wiener  
Clerk of the Board  
Cheryl Adams  
Mayor Lee  
Controller  
Kate Howard